

Message Text

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11

ACTION EA-14

INFO OCT-01 ISO-00 AGR-20 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 NSCE-00

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R 100700Z SEP 73

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 8126

INFO USLO PEKING

C O N F I D E N T I A L HONG KONG 9022

FOR AGRICULTURE: FAS, WEBB, COTTON DIVISION

E.O. 11652: GDS

TAGS: EAGR

SUBJECT: US COTTON MERCHANT INVITED TO PEKING

SUMMARY: JULIEN HOHENBERG, PRESIDENT OF HOHENBERG BROS. CO. (MEMPHIS) WILL ARRIVE IN PEKING SEPT 10 FOR TALKS WITH FOREIGN TRADE OFFICIALS. WHILE HIS INVITATION NO DOUBT IMPLIES CHINESE INTEREST IN MAKING ADDITIONAL PURCHASES OF US COTTON, HOHENBERG STATED THAT SPIRALING PRICES AND THE PRESENT TIGHT SUPPLY SITUATION WILL PROBABLY PREVENT HIM FROM MAKING ANY DEALS AT THIS TIME. END SUMMARY.

1. ON SEPTEMBER 7, CONGEN AGRICULTURAL AND ECONOMIC OFFICIERS MET WITH JULIEN J. HOHENBERG, PRESIDENT, HOHENBERG BROS. CO. OF MEMPHIS, WHO WAS ENROUTE PEKING. HOHENBERG STATED CHINESE INTITATION RECEIVED AUGUST 29 WITH REQUEST HE ARRIVE PEKING WITHIN TEN DAYS. (HE PLANS ARRIVE IN PEKING SEPTEMBER 10.) HE CLAIMED HE HAS HAD OUTSTANDING REQUEST FOR PERMISSION TO VISIT PRC FOR MORE THAN YEAR, BUT HAD HEARD NOTHING UNTIL NOW.

2. ALTHOUGH HE IS INTERESTED IN DISCUSSING THE POSSIBILITY OF FUTURE SALES, HOHENBERG TOLD CONGEN OFFS THAT SPIRALING
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PRICES AND THE PRESENT TIGHT SUPPLY SITUATION FOR US

COTTON WILL PROBABLY PREVENT HIM FROM MAKING ANY DEALS WITH THE CHINESE AT THIS TIME. HIS COMPANY HAS ALREADY SOLD 25,000 BALES FOR SHIPMENT FROM THE US IN JANUARY 1974. HOHENBERG STATED THAT HIS RELUCTANCE TO SIGN ADDITIONAL CONTRACTS WAS DUE IN PART TO FACT THAT SPIRALING COTTON PRICES HAD ALREADY CAUSED SOME US FARMERS TO ATTEMPT TO BREAK CONTRACTS WITH EXPORTERS FOR FORWARD COTTON SALES. THIS SITUATION HE FELT MIGHT HAVE A FUTURE ADVERSE EFFECT ON US COTTON EXPORTS TO THE PRC IF SUCH ACTIONS RESULT IN UNFULFILLED COMMITMENTS.

3. RE OTHER AREAS, HOHENBERG NOTED HEAVY ADVANCE BUYING BY JAPANESE BUT RELATIVE LACK OF FORWARD PURCHASING BY EAST EUROPEAN COUNTRIES (WHERE HIS FIRM IS IMPORTANT SUPPLIER). WITH CURRENT US CROP ALREADY HEAVILY COMMITTED, AND GENERALLY TIGHT SUPPLY SITUATION WORLDWIDE, HOHENBERG NOT CERTAIN HOW EAST EUROPEANS WILL FARE IN OBTAINING NEEDED COTTON.

4. COMMENT: WITH LARGE US COTTON SALES TO PRC ALREADY MADE PRIOR TO JUNE, TOGETHER WITH HEAVY COMMITMENTS REPORTED SINCE JUNE, HOHENBERG INVITATION APPEARS IMPLY CHINESE INTEREST IN STILL MORE COTTON, ALTHOUGH POSSIBLY FOR 1974-75. TRADE SOURCES HAVE INDICATED SERIOUS SHORT-FALL IN CHINA'S 1972 COTTON CROP BUT NO WORD YET ON 1973 CROP OUTLOOK. URGENCY OF INVITATION, HOWEVER, COULD IMPLY THAT PRC OFFICIALS' LATEST ASSESSMENT OF 1973 COTTON CROP NOT FAVORABLE, ALTHOUGH WE HAVE NO CORROBORATIVE INDICATIONS THAT SUCH IS THE CASE. TIMING MAY ALSO RELATE TO RECENT DEVELOPMENTS AFFECTING PAKISTAN COTTON EXPORTS (APPROXIMATELY ONE-FOURTH OF PRC COTTON IMPORTS HAVE BEEN FROM PAKISTAN IN RECENT YEARS).

5. ASIDE FROM NORMAL CURRENT INTEREST IN PRC AS LARGE MARKET FOR US COTTON, HOHENBERG HAS LONG HAD ACTIVE INTEREST IN CHINA, DATING BACK AT LEAST TO 1950'S, AND APPEARS VERY WELL INFORMED ON CHINA, ANCIENT AND MODERN. WHETHER THAT WAS A FACTOR IN INVITATION IS NOW KNOWN BUT IF CHINESE ATTEMPTING GET COMMITMENTS UNDER CURRENT TIGHT SUPPLY CONDITIONS, HOHENBERG MIGHT BE LOGICAL
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SELECTION FOR INVITATION.

6. NOTE: HOHENBERG HAS ASKED THAT HIS INVITATION TO PEKING BE CLOSELY HELD WITHIN THE USG.
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Message Attributes

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Disposition Date: 28 MAY 2004
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